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**As Prepared For Delivery**

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STATE OF THE UNION "PREBUTTAL"  
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Tomorrow, President Bush will deliver his State of the Union Address. It's the President's constitutional obligation to take stock of where we are as a nation and where we're headed; and it's something that I think we all look forward to, people of both parties - because the occasion demands that we all lift our sights from the day-to-day and focus on our biggest hopes and challenges for the future. And so it's fitting that we ask: what is the state of our union?

On that score, the most important verdict comes not from the President or from the Congress, but from the American people. And what the two of us would like to talk about today is what the American people are telling us - and what we, as a nation, should be doing to make sure that their concerns are not only heard, but heeded.

If you travel across this country, you'll marvel at the incredible range of opinions and perspectives you encounter along the way. But there's another thing that's equally striking - and that's the fact that wherever you go, you hear different people from different backgrounds voice many of the same hopes, and many of the same concerns.

As America begins a new year, it's clear that the spirit of patriotism, common purpose, and shared sacrifice that were so strong after September 11th is still strong today. Americans are proud that New York is back on its feet, that we rebuilt the Pentagon in less than a year. Most Americans feel fortunate to be alive at such a unique moment in history - a time when more people live under governments of their own choosing than ever before; when discoveries in science are opening new worlds and leading to new cures; a time when technology is empowering our lives and bringing us closer together.

But while the spirit of common purpose is still strong, the sense of uncertainty, the

worries about our security, and the anxieties about our economy - well, those feelings are still powerful, too; and for many Americans they're growing stronger. As Congresswoman Pelosi and I travel around our nation and listen to people with all kinds of backgrounds and beliefs - we hear one thing: concern. The state of our union today is anxious. The triple threat of war, terrorism, and recession are combining to make Americans unsure about their future, and unclear about the course our nation is taking.

And there's something else that's compounding all these concerns - and that's the sense of uncertainty from the team at the top. The American people hear mixed signals coming from the White House on everything from the economy to Iraq to North Korea. They sense the indecision on what to do about the war on terrorism. They see the shifts in direction, the false starts, and the backsliding on basic promises.

Now, you won't hear any hesitation or uncertainty in the President's speech tomorrow night. And we don't need a crystal ball to predict he'll use a lot of words like "bold" and "strong" and "good." President Bush says a lot of the right things, and he says them well. But a speech doesn't equal a solution, and a sound bite is no substitute for a strategy.

The real test of the State of the Union is not how strong the President's words are, or how loud the applause is, or how high his approval ratings jump after the speech. The real test of the President's words is whether they lead to action and whether that action leads to progress.

So far, the President's been saying all the right things - but doing very few of them. In the days and weeks after September 11th, this Administration was clear and commanding in its leadership. But on just about every other issue before or since, it has been anything but. Today, what we are getting from the White House are confused signals instead of clear direction; slogans instead of solutions; posturing instead of progress.

There's a name for all this: it's called a credibility gap. Unfortunately, it's nothing new in Washington. History is full of politicians whose rhetoric is out of step with reality, who promise something and then fail to deliver. But the Bush Administration offers a credibility gap with a new twist: this is a White House that promises one thing knowing full well it is delivering another.

While promising relief to hard-pressed middle-class families, the White House delivers a reward to wealthy investors. While promising to bring new accountability and responsibility to government, the White House runs up huge deficits - and then blames it on the war.

While promising to protect the homeland, the White House blocks billions of dollars to fund first responders and other homeland security priorities. While promising to promote diversity, the White House files a lawsuit to prevent a university from achieving it.

While promising to be a champion for our veterans, the White House cuts funding for VA health clinics - forcing 164,000 veterans to be turned away. While promising to help seniors with prescription drug costs, the White House sides with the drug industry - and blocks generic drug legislation that will lower costs.

While promising, with great fanfare, over and over again, to "leave no child behind," the White House refuses to fund its own education programs. Between the rhetoric and the reality is a credibility gap. And it's growing with each new broken promise, each new misleading claim, and each new case of bait and switch. This Administration keeps saying one thing, but doing another. When this gap is felt within our own borders, it affects our ability to rally the American people against shared problems. And when this gap is felt outside our borders, it affects our authority to rally our allies against shared enemies.

I'd like to focus for a few minutes on one place where that is the case today - Iraq.

Of all the decisions facing this President, none has more profound consequences than launching a war against Iraq, and none is in greater need of a clear, complete, and definitive explanation. We all know Saddam Hussein's history of deceit, deception, and destruction. None of us think the Arab world is a better place with him leading Iraq. But that's the not the question.

The two crucial questions the President needs to answer on Iraq are: first, does Saddam Hussein pose a threat to our national security so imminent that it justifies putting American lives at risk to get rid of him? And second, how are our efforts to deal with this threat helped by short-circuiting an inspections process we demanded in the first place?

Over the past year, we've seen support slipping for American foreign policy -

among Americans. They have deep doubts about our course on Iraq.

In a democracy, it is essential that the President do everything possible to answer those questions and address those doubts. If the President does that, it is more likely that this country and our partners will start out together and stick together as we continue to address this threat. If we have proof of nuclear and biological weapons, why don't we show that proof to the world - as President Kennedy did 40 years ago when he sent Adlai Stevenson to the United Nations to show the world US photographs of offensive missiles in Cuba? At a time when we have only just begun to fight the war on terror, the American people deserve to hear why we should put hundreds of thousands of American troops at risk, spend perhaps hundreds of billions of dollars, risk our alliances, and inflame our adversaries to attack Iraq.

The White House has given many reasons: because Saddam is a threat to his neighbors, because he gassed the Kurds, because he tried to kill the first President Bush, because he's making weapons of mass destruction, because - they say - he was involved in September 11.

When they give so many rotating reasons, it makes people wonder which one is the real one, or if the real reason is none of the above. Above all, it makes people doubt there is a guiding principle.

Again, the ultimate principle should be this: will invading Iraq and taking out Saddam make America and our friends more secure? If we invade only to depart, leaving an open wound behind us, the suffering will be used by extremists to inflame more hatred and recruit more terrorists. In the end, we could win a war in Iraq, lose a battle against terrorism, and leave America less secure.

This is about priorities. We face three very serious threats. We face the threat that Iraq could acquire and deploy weapons of mass destruction. We face the threat of North Korea, a country that already has nuclear weapons and is threatening to develop more of them - along with long-range missiles that could deliver them to America. And we face the threat of additional terrorist attacks - including the horrific prospect of an attack with weapons of mass destruction.

We have to prioritize how we confront these threats. North Korea has long-range missile capacity. Iraq does not. North Korea is believed to have nuclear weapons. Iraq does not. In this current round of tensions, North Korea has shut down the

international inspection process. Iraq has not. Both present threats, but we believe only North Korea presents an immediate nuclear threat.

And we can't afford to forget the terrorist threat. If we want to stop a terrorist nuclear attack on the United States, we have to intercept it before it gets to our shores. To intercept it before it gets to our shores, we have to cooperate with other countries. To cooperate with other countries, we have to have their good will. We can't afford to squander their good will with friction over our Iraq policy. If so, we'll worsen our chances of stopping a greater threat by squandering resources to deal with a lesser one.

The President would also do much to unify support for his policy if he can explain why we are pursuing this hurry-up approach on Iraq that seems to be costing us the support of our allies. Today in New York, the UN weapons inspectors are presenting their assessment of Iraq's compliance over the past two months to the UN Security Council. They will say that Iraq hasn't fully complied, and the inspectors need more time.

We remember well that the United States did not strike immediately after September 11. The President wisely chose the time and manner of our response, and no one was foolish enough to interpret the interval between September 11 and our retaliation as a lack of courage or lack of resolve. Right now, the American people need to know more. At the same time, one thing the American people know all too well is that to be strong abroad, we need to be secure at home first. As the President articulated a year ago, homeland security is essential to our national security.

A year ago, the President stood before us and said in his State of the Union Address that one of his top priorities was to fully fund America's homeland security needs. Yet, his budget forced \$1 billion in cuts in homeland security.

Senate Democrats proposed to add back \$5 billion in funding for homeland security. During the debate, the other side claimed that this effort was well intentioned, but unaffordable.

Unaffordable, when we know that we have to ensure that our police and fire communication systems are synchronized? Unaffordable, when the Administration is proposing cuts in Coast Guard programs and our efforts to protect our ports and bridges? Unaffordable, when we cannot find the money to

adequately protect our nuclear facilities and water systems and power plants?

I'd like to hear the President explain why we can't afford \$5 billion for homeland security because we need \$674 billion for a tax cut. If we're given the choice between cutting taxes for the wealthy and ensuring our security, Democrats have a four-word answer: fund homeland security first.

With that, I'd like to introduce the Democratic leader in the House of Representatives, Congresswoman Nancy Pelosi.

Thank you, Senator Daschle for your strong statement, and most importantly for your strong leadership on behalf of the American people. It is an honor to be here with you at the National Press Club to speak about the Democrats' view of the state of our union.

I join Senator Daschle in recognizing the spirit of patriotism, common purpose, and shared sacrifice that is so strong in our country. As leaders, we have the responsibility to protect the American people and provide opportunities for them. As you so forcefully stated, now is a crucial time in our nation's history.

The threat of war, terrorism and recession are combining to make Americans less sure about their future and less certain about the course our nation is taking. That is why I hope that in his State of the Union Address tomorrow night, President Bush will present a message of hope and relevance to all Americans. I also hope that the budget the President will submit one week from today will match the rhetoric he will deliver tomorrow night. Otherwise, the credibility gap that Senator Daschle spoke of will grow even larger.

For the millions of Americans who do not have jobs, or do not have health insurance, or have seen their retirement savings disappear, their state of the union is anxious. They do not just want to hear lofty rhetoric from the President. They want jobs. They want real solutions to our pressing challenges and a real strategy to make our economy stronger and our nation more secure. Security doesn't just mean national security or homeland security - it also means economic security.

Last year, President Bush told the nation in his State of the Union address that his economic plan could be summarized in a single word: jobs.

Unfortunately, his record could be summed up in one phrase: loss of jobs. Since President Bush took office two years ago, a total of 2.3 million private-sector jobs have been lost -- the worst record of job creation for any President since the end of World War II. There are now 8.6 million unemployed Americans. The unemployment rate is at 6 percent, an eight-year high. People are hurting and families are struggling. With Americans out of work, children are being left behind. We must create jobs now.

Democrats are united behind economic stimulus plans that will create at least 1 million new jobs this year, put money and purchasing power in the hands of consumers, and provide relief to laid-off workers. The plans will begin working immediately, and will rebuild the economic strength of our nation.

For two years, the President has had numerous opportunities to put this economy back on track. But the Administration has chosen to reject every single economic option but one: tax cuts for the wealthy. For two years, America has given the President the benefit of the doubt on his economic plan. Today, the American people have seen very few benefits, and have a lot more doubt. Now, after two years, in addition to record job loss, we have the lowest rate of business investment in 50 years, middle class incomes are down for the first time in 10 years, and we have the highest poverty rate in eight years.

With this score at halftime, the President changed his economic team, but not his economic game plan. President Bush wants more tax cuts for the wealthy, and has proposed to add nearly a trillion dollars to the national debt, when you include interest, with a 10-year, \$674 billion tax plan.

The centerpiece of the plan is a proposal to eliminate the tax on corporate dividends. This will not stimulate the economy and will not even help most Americans, since a majority do not receive dividends. Overwhelmingly, the top five percent of Americans benefit - which is why, as the Center for Policy Studies proved, a person earning more than \$1 million a year will receive a tax break of about \$90,000 per year. Yet, at the same time, as the Center for Budget and Policy Priorities has calculated, under the President's plan, about 50 percent of all Americans would receive less than \$100.

Tomorrow night, we will hear the President say that the average amount that Americans will receive is about \$1,000 under his plan. How does the White

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arrive at that number? Easy. It groups the wealthiest Americans who will receive huge tax cuts with middle-class families who will receive next to nothing, making the "average" benefit higher.

The tax cut will do little for Americans with modest incomes, such as Frank Greene of New Jersey, who testified at a hearing on the economy last week. Frank has to work two jobs to make ends meet.

Under the President's plan, he will get \$50, less than one dollar a week. Frank was absolutely right when he said, "I think the federal government should send more money out to working class individuals, who need the money and would use it to pay for everyday expenses."

But the President refuses to do that. For that reason, I agree with those who have written that the President's tax plan is a "Joe Millionaire Tax Plan." It romances middle-class Americans with the promise of big bucks, but in the end, the surprise is, they get pennies.

Of course, our friends on the other side of the aisle love to cry "class warfare." Let me be clear: Democrats are not opposed to a plan that benefits all Americans, including the wealthy. But our first objective must be to benefit the economy. We need a tax cut that puts money in the pockets of people who need it more and will spend it now to pay the rent, to put food on the table or to shop at a retailer who has suffered through this recession.

Stimulus is the key principle of the Democrats' plan. The tax cuts we favor would provide an immediate boost to the economy. They would be targeted to low and middle-income earners and to small businesses, which are the job-creating engines of our economy. And our tax cuts would be fiscally responsible.

Democrats are united in putting tens of billions of dollars in direct aid to cash-strapped states and local governments. This critical funding will help pay for homeland defense, to gear up first responders, such as police and firefighters, and to strengthen security at airports and seaports. Tomorrow night, the President needs to be clear as to why -- at a time when our state governments face the worst fiscal crisis in 45 years -- his proposal doesn't provide meaningful direct assistance to the states. In truth, the President's plan has forgotten state and local communities. We must insist that the budget



the President submits next week does not forget them again.

Most importantly, the American people deserve to hear why the President believes that massive new tax breaks for wealthiest Americans are more important than funding urgent needs on job creation, homeland security, education, and health care.

The Administration says that the reason we cannot afford \$1.5 billion in homeland security funding - which the Congress passed into law but the President refuses to spend - is that we are constrained by a wartime budget. And yet, the President says there is enough money in the wartime budget to create a huge tax cut that benefits the wealthiest in our country. The credibility gap widens.

The elimination of the tax on dividends would cost about \$250 billion in the life of the proposal. That's a quarter of a trillion dollars. How can we can afford that, but not afford \$1.5 billion for our law enforcement officers to provide for our homeland security? There's something very wrong with the Republican priorities.

As Democrats, our priorities are the safety and soundness of the American people. We must keep our homeland safe, and our economy sound. And we will